

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Public Works	(2) MEETING DATE 9/22/2015	(3) CONTACT/PHONE Mark Hutchinson, Deputy Director (805) 781-5458	
(4) SUBJECT Submittal of resolution granting a One-Time Extension of time for Lopez Water Contractors and State Water Contractors to submit proposed amendments to their water delivery schedules for Water Year 2014-2015 and authorizing the Director of Public Works to amend the delivery schedules consistent with the submitted written requests for proposed amendments; and Declaration of Surplus Water; and Receive an Update on the Status of the Low Reservoir Response Plan for Zone 3 of the San Luis Obispo County Flood Control and Water Conservation District (Lopez Project). Districts 3 and 4.			
(5) RECOMMENDED ACTION It is recommended that the Board acting as the Board of Supervisors for the San Luis Obispo County Flood Control and Water Conservation District: 1. Adopt the attached resolution granting a one-time extension of time for Lopez Water Contractors and State Water Contractors to submit proposed amendments to their water delivery schedules for Water Year 2014-2015 and authorizing the Director of Public Works to amend the delivery schedules consistent with the submitted written requests for proposed amendments; and 2. Declare Surplus Water as described in Article 4, Sections (C) and (D) of the Lopez Water Supply Contracts, in an amount of 1626 acre feet; and 3. Receive an update on the status of the Zone 3 Low Reservoir Response Plan (LRRP) adopted by your Board on December 16, 2014.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____ ) <input checked="" type="checkbox"/> Board Business (Time Est. <u>20 min</u> )			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A    Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW David E. Grim			
(18) SUPERVISOR DISTRICT(S) District 3 District 4			

Reference: 15SEP22-BB-1

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Public Works  
Mark Hutchinson, Deputy Director

VIA: Wade Horton, Director of Public Works

DATE: 9/22/2015

SUBJECT: Submittal of resolution granting a One-Time Extension of time for Lopez Water Contractors and State Water Contractors to submit proposed amendments to their water delivery schedules for Water Year 2014-2015 and authorizing the Director of Public Works to amend the delivery schedules consistent with the submitted written requests for proposed amendments; and Declaration of Surplus Water; and Receive an Update on the Status of the Low Reservoir Response Plan for Zone 3 of the San Luis Obispo County Flood Control and Water Conservation District (Lopez Project). Districts 3 and 4.

## **RECOMMENDATION**

It is recommended that the Board acting as the Board of Supervisors for the San Luis Obispo County Flood Control and Water Conservation District:

1. Adopt the attached resolution granting a one-time extension of time for Lopez Water Contractors and State Water Contractors to submit proposed amendments to their water delivery schedules for Water Year 2014-2015 and authorizing the Director of Public Works to amend the delivery schedules consistent with the submitted written requests for proposed amendments; and
2. Declare Surplus Water as described in Article 4, Sections (C) and (D) of the Lopez Water Supply Contracts, in an amount of 1626 acre feet; and

Receive an update on the status of the Zone 3 Low Reservoir Response Plan (LRRP) adopted by your Board on December 16, 2014.

## **DISCUSSION**

Zone 3 of the San Luis Obispo County Flood Control and Water Conservation District (District) consists of the Lopez Dam and Reservoir, Water Treatment Plant, and water distribution system that delivers water to the Cities of Arroyo Grande, Pismo Beach, and Grover Beach, Oceano Community Services District, and County Service Area 12 (Avila Valley) (see Attachment 1).

## *Retro-Active Water Accounting Change*

At the beginning of the Lopez 2015-16 water year (April) several Zone 3 agencies identified a water management opportunity due to the implementation of the Low Reservoir Response Plan that was adopted by your Board in December of 2014. Under the Low Reservoir Response plan agencies may “carry over” any of their unused Lopez water from the previous year. Consequently, agencies that subscribe to both Zone 3 water and State Water requested a retro-active water accounting change to effectively exchange Lopez water used in 2014 for a like amount of unused State Water. In doing so their quantity of unused Lopez water would increase and thereby increase their amount of “carry over” water available in 2015-16. This exchange is possible because during the spring of 2014, State Water above what was requested was moved into Lopez Reservoir for the benefit of State Water subcontractors connected to the Lopez system in case State Water Project deliveries were shut down.

In order to affect this retro-active water accounting change all agencies must consent to a one-time modification of the provision in the water supply contracts for both Lopez and State Water (like contracts) requiring that requests for changes to deliveries occur *prior* to delivery. As this is a retro-active request for a change in deliveries, written consent from all agencies is needed. On May 6, 2015 a letter and consent form was sent to all agencies taking Zone 3 water, State Water, or both, requesting written consent to this one-time extension. As of August 24th, written consent from all agencies (Oceano, Pismo, Arroyo Grande, and Grover Beach) as well as all the State Water sub-contractors except for County Service Area 12 (Avila) was received. CSA 12’s consent is before your Board in a separate Board item for approval today. Attachment 2 contains the letter sent to the agencies, summary table of approvals and the executed consent forms from each of the agencies.

Three agencies have requested to participate in this water management opportunity – Oceano CSD, City of Pismo Beach, and Avila Beach CSD. Table 1 below shows the results of the retro-active water accounting change while under the LRRP if the requests are granted. This water accounting change for 2014 will in turn affect the annual declaration of Lopez surplus water required by the contracts.

**TABLE 1: Results of Retro-Active Water Accounting Change**

<b>Retro-Active Water Accounting Change For Water Year 2014-2015</b>		
<b>Agency</b>	<b>Carry Over Before</b>	<b>Carry Over After</b>
Pismo Beach	0	505
Oceano CSD	132	459
Avila Beach CSD	37	52

Although there is no change in “wet” water in the reservoir, the accounting exchange will clarify ownership of the water (moves the water from a Flood Control District State Water category to individual Zone 3 agency carryover accounts), providing participating agencies more assurance as they plan for continued drought. At the same time, water sales between Zone 3 Agencies is a more straightforward process than a District State Water to non-State Water participant sale, should the need arise.

## *Declaration of Surplus Water*

Every year the District declares surplus water according to the water supply contracts for Zone 3 of the District. Because of the proclamation of a local drought emergency on March 11, 2014 and pursuant to concerns about how Surplus Water is calculated, on August 19, 2014 the Board directed that *“any changes in calculations come to the Board for a decision and not at the staff level.”* Therefore, the 2015 surplus water declaration is being brought forward to the Board.

The Zone 3 water supply contracts define surplus water as *“The portion of the Safe Yield for Project water remaining after distributions of water during the said previous Water Year”* (Article 4 (D)). The declaration of surplus water does NOT mean that there is an amount of “excess” water in the reservoir; in short, surplus water is water that was saved from the previous year’s municipal entitlements and downstream releases. The water supply contracts specify that surplus water is offered to the Zone 3 agencies in proportion to their participation in the project; this year’s surplus is 1,626 AF, ***if the one-time retroactive water accounting change is approved***, as shown in Table 2.

**TABLE 2: Zone 3 2015 Surplus Water with Retroactive Water Accounting Change  
- 1626 Acre-Feet**

<b>Contractor</b>	<b>Entitlement AF</b>	<b>Entitlement Delivered AF</b>	<b>Surplus Generated (Unused Entitlement)</b>	<b>Entitlement %</b>	<b>Surplus Available by Entitlement % (x 1626 AF)</b>
Arroyo Grande	2290	2290	0	50.6	822
Pismo Beach	892	845	47	19.7	320
Grover Beach	800	800	0	17.6	287
Oceano CSD	303	0	303	6.7	109
CSA 12 (Avila)	245	82	163	5.4	88
<b>Sub Totals</b>	<b>4530</b>	<b>4017</b>	<b>513</b>	<b>100 %</b>	<b>1626</b>
Downstream Releases	4200	3087	1113		0
<b>Total</b>	<b>8730</b>	<b>7104</b>	<b>1626</b>		<b>1626</b>

(All amounts have been rounded to the nearest whole number)

## *Low Reservoir Response Plan Update*

However, the above declaration of Surplus Water is a contractual formality this year as all of the Zone 3 agencies, together with the Board of Supervisors, have adopted the Low Reservoir Response Plan (LRRP). The LRRP provides for three temporary changes to the declaration of “Surplus Water”:

1. Savings resulting from reductions in downstream releases below 4,200 acre feet will not be counted as surplus water, and

2. Any surplus water generated by an individual agency will only be available for use by that agency, and
3. Each agency may “carry over” any of its unused water from the previous year (subject to evaporation losses).

The amount of water available will vary depending on the total amount of water stored in the reservoir. Above 15,000 entitlements are at 100%. However, that number decreases by 10% (applied to the agency's entitlement only) if the reservoir reaches 15,000 acre feet in storage. On May 21, 2015, the Zone 3 Advisory Committee voted to recommend enacting the adaptive management strategy in the LRRP and reduce entitlements by 10%, anticipating the reservoir dropping to the 15,000 acre foot level by the end of the year. Therefore, the water supply for water year 2015-2016 is summarized below:

**Table 3: Zone 3 2015-2016 Available Water Supply Under the LRRP (and Incorporating Retro-Active Water Accounting Change)**

<b>Contractor</b>	<b>Entitlement with 10% reduction (A)</b>	<b>Carryover from 14-15 (B)</b>	<b>Water Accounts by Agency Below 15,000 AF (C)</b>
Arroyo Grande	2,061	881	2942
Pismo Beach	803	505	1308
Grover Beach	720	394	1114
Oceano CSD	273	459	732
CSA 12	221	289	510
<b>Totals</b>	<b>4078</b>	<b>2528</b>	<b>6606</b>

(All amounts shown have been rounded to nearest whole number)

Notes: (C) = (A) + (B)

#### **Other Agency Involvement/Impact**

At their March 19, 2015 meeting the Zone 3 Advisory Committee adopted the recommendation that the Board of Supervisors:

- Declare Surplus Water as described in Article 4 Sections (C) and (D) of the Water Supply Contracts, in the amount of 1,231<sup>1</sup> acre feet, or as adjusted by final year-end water accounting, and (Vote was 5-1 with the Oceano Community Services District dissenting).<sup>2</sup>

<sup>1</sup> 1,231 was the surplus amount prior to the retroactive water accounting change.

<sup>2</sup> Oceano's dissent was based on a desire to delay the surplus declaration pending action on the retroactive water accounting change.

- Continue to implement the Low Reservoir Response Plan pursuant to the Board's Resolution 2014-377 adopted on December 16, 2014. (Vote was unanimous)

At their May 21, 2015 meeting they adopted the following recommendation:

- To support efforts by Zone 3 Contractors to re-characterize 2014 water (also known as the one-time retro-active water accounting change) from "Lopez Water" to "State Water" in order to maximize water management opportunities. Approved by consensus.

The recommended actions today are consistent with the Zone 3 Advisory Committees' recommended actions.

### **Financial Considerations**

The water supply contracts for Zone 3 are described as "take-or-pay", meaning essentially that all of the costs of the system are paid for by the Zone 3 agencies, at percentages based on the amount of entitlement water in their respective contracts, plus their distance down the delivery system. Under the LRRP there is no surplus water to distribute at a particular cost, only the carry over water generated by that agency and available to that agency so there are no additional costs associated. The water accounting change will result in additional variable energy costs to the three participating Agencies of approximately \$200/AF for State Water.

### **RESULTS**

Approval and execution of the contract provision that will affect a one-time water accounting change, Declaration of surplus water and continued implementation of the LRRP will enhance management of water supplies to Zone 3 of the San Luis Obispo County Flood Control and Water Conservation District to help mitigate a water supply emergency, thereby promoting a livable community.

### **ATTACHMENTS**

1. Attachment 1 – Summary of Zone 3 Contractors Entitlement
2. Attachment 2 – Retro-Active Water Accounting Change Documentation
3. Resolution granting a One-Time Extension of time for Lopez Water Contractors and State Water Contractors to submit proposed amendments to their water delivery schedules for Water Year 2014-2015 and authorizing the Director of Public Works to amend the delivery schedules consistent with the submitted written requests for proposed amendments.

Reference: 22SEP15-BB-1

File: CF 340.101.01

L:\UTILITIES\SEP15\BOS\Declaration of Surplus Water & Water Acct Change & LRRP brd ltr.docx.MH.mj:jb